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Japan

Market Development Reports

Food Business Line

Periodic Press Translations from ATO Tokyo

2004

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Report Highlights:

From America's largest overseas food and agricultural export market as translated from Japan's mass media and food industry news. This issue includes: Both total sales and food sales for department stores in the Tokyo Metropolitan area declined in April; While the performance in 2003 for the Japan food service industry was only equal to the previous year's record low performance, there are several hot growth segments in the industry; McDonald's still ranks No. 1 in total sales for 2003; Hanamaru had the highest rate of growth of all food service chains in 2003; Suntory's new happoshu-shochu alcoholic beverage product also has a low tax appeal and; Japan's Agriculture Ministry looks to expand organic labeling to meat and dairy products.

Includes PSD Changes: No
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Food Business Line

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Retail/Wholesale

- According to the *Japan Department Store Association*, total sales for department stores in Tokyo Metropolitan area in April declined by 3% compared to the same month last year. It was the second consecutive month of not achieving the previous year's level. Food sales also declined by 2.3%. (a 5/15)

Food Service

- *Yoshinoya D&C*, a major beef bowl chain operator, announced that it will form a capital and business alliance with *Hanamaru*, operator of the popular “*Sanuki udon*” (named after the region in the Shikoku area) noodle restaurant chain. (a 5/8)
- According to the survey by the *Nihon Keizai Shimbun*, total sales of the top 100 food service operators saw sales increase by only 1.9% in fiscal year 2003 compared to 2002. The rate of increase is the same as that for fiscal year 2002, when the top 100 firms recorded their smallest increase in nine years. *McDonald's Holdings Japan* ranked No. 1 in total sales among all food service companies for the 22nd consecutive year, however its sales did decline by 4%. This was the second year in a row for a decline in sales for *McDonald's Holdings Japan*. Institutional and medical food service companies such as *Nisshin Iryo Shokuhin*, *Green House*, and *Fuji Sangyo* did well, registering double-digit profit growth. (a 5/13)
- More from the same survey by *Nihon Keizai Shimbun* on the rankings of food service companies in 2003, *Hanamaru*, a self-service type Japanese *Sanuki udon* noodle restaurant chain, ranked No. 1 with a growth rate of 726%! *Dotonbori*, a Japanese *okonomi-yaki* pancake restaurant chain, had the second highest growth rate. *Create Restaurants*, a restaurant chain operator with about 50 varieties of unique restaurant brands such as “New York Kitchen” (a deli-style café) and Chinese Dim Sum buffet-style restaurants, had the third highest growth rate. (b 5/13)

Food Processing/New Products/Market Trends

- By the end of May, *Asahi Breweries* plans to double its annual production capacity for low-alcoholic beverages such as *chuhai*, a drink based on Japanese *shochu* distilled liquor mixed with fruit juices. (a 5/13)
- On June 22, *Suntory* plans to introduce a new mixed alcoholic drink called “Super Blue”, which consists of *happoshu* low malt beer as the primary base with added barley *shochu*. The resulting mix will allow the product to be categorized with a tax will lower than the normal *happoshu* low malt beer! The product will cost 125 yen per 350ml can, 20-yen cheaper than the usual price for *happoshu* in the market. (a 5/15)

Food Safety/Consumer Awareness

- Reflecting recent growing consumer concerns on food safety, such as the use of antibiotics in farm animals and agrochemicals in feed, Japan's Agriculture Ministry decided to expand permission to use organic labeling, currently limited for vegetables to be included in animal products such as meat and dairy products under Japan Agricultural Standard law (JAS). Initially, it is expected to be in use by the spring of 2005. It is said that this move is aimed at restoring consumer confidence in domestic meat and dairy products following the recent discoveries of BSE and avian influenza. (a 5/5)

ATO/Cooperator/Competitor Activities/Trade Shows

- Major Japanese supermarkets *Aeon*, *Daiei*, and *Seiyu* plan to jointly secure about 14,000 tons of Australian beef for fiscal year 2004, which is up 40% compared to last year. (a 5/14)

 Sources

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|----------------------------------|---|
| (a) The Japan Economic Newspaper | (b) The Nikkei Marketing Journal |
| (c) The Japan Food Journal | (d) The Beverage & Food News Commentary |
| (e) The Japan Food News | (f) The Food Industry News |

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